Firms Characteristics and Social Capital Disclosure: An Empirical Study of Listed Companies in Indonesia

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ABSTRACT

This research aims to examine the social capital disclosure information level in annual report released by companies listed in Indonesian Stock Exchange (IDX). This research is conducted by testing the effect of firm characteristics (size of the enterprise, age, complexity, profitability, operational range, type of industry) as the independent variables, on social capital disclosure as the dependent variable. The sample of this research consist of 60 firms that is listed in Indonesian Stock Exchange (IDX) in 2016. The sample is chosen using cluster sampling method. Social capital disclosure is measured by scoring the information disclosed in annual report. Moreover, the 6 hypotheses are tested by multiple regression analysis. The result shows that in average the social capital disclosure conducted by firms listed in IDX is only 36.02%. Firms' size and complexity has a positive effect on social capital disclosure information level, while age, profitability, operational range, type of industry does not shows significant effect on social capital disclosure information level. It implies that, a firm with large size and complex business activities should be encouraged to increase its social capital disclosure, because the information of social capital can be a basic consideration for potential investors and creditors as a basis for decision making and increase the confidence level for stakeholders involved in the enterprise.

Keywords: Social Capital Disclosure, Social Capital, Organization Theory, Firm Characteristics, Annual Report, Indonesian Stock Exchange.

1. INTRODUCTION

During the past decades there is an increase in dissatisfaction toward traditional financial report and its capability in providing sufficient information for the shareholder, in terms of firm's revenue generating capability (Stewart, 2001). Economic decision making process is affected by many factors such as economics condition, political, and industrial aspects. Therefore, the quality of decision making process is affected by the quality of disclosure contained in firm's annual report. Thus it is important to maintain the quality of information disclosed in annual report in order to avoid misinterpretation and enhance the understandability.

Financial information disclosure hold an important role in a high quality decision making process. The general purpose of financial information is providing financial information to assist the decision making for the parties who will use the report (Agustiningsih *et al.*, 2017). Imhoff (1992) states that the quality of accounting is related with the level of financial information disclosure completeness. The level of completeness is affected by firms' characteristics.

Leuz and Verrecchia (2001), and Healy *et al.* (1999) argue that managers who disclose voluntary disclosure aim to increase firm's value, decreasing information asymmetry, and decreasing the agency cost they should borne. In the field of voluntary disclosure, there is an indication that firms are disclosing information voluntarily perceive that it will increase its shares value (Lo, 2003). Based on Setiany *et al.* (2017) voluntary financial disclosure is financial information published voluntarily by a company and if it is expanding the disclosure of mandatory financial information. One type of voluntary disclosure is social capital disclosure. Through social capital disclosure, a firm can disclose information about firm's socio-economic condition; the information about social interaction inside and outside the firm, which usually possess a certain competitive advantage. Broadly, social capital can be defined as the 'value' of social interaction. The concept of social capital could considered as a new concept, which shortly become an interest for researchers' attention (De Silva *et al.*, 2007).

In accounting field, social capital has not been examined before. Meanwhile, in the field of sociology, social capital is an interesting topic to be discussed. In several previous researches, it is found that social capital is the basis for new intellectual capital (Nahapiet and Ghoshal, 1998); Social interaction (the manifestation of social capital dimension) and trust (the manifestation of relational dimension) significantly affects resource exchange rate between units, which in its turn will have a significant effect on product innovation (Tsai and Ghoshal, 1998); Social capital is useful to study intra-organizational relationship and inter-organizational relationship (Bizzi, 2015); Social capital shows a tendency in which the firms participate in a collective activity increase when there is a "common interest", even though there was an over-riding factor (Tomlinson, 2012); Organization performance in highly affected by human resource through managers' social cognitive capabilities (Felício *et al.*, 2014); A firm located in an area with a high social capital will show high level of CSR disclosure (Jha and Cox, 2015).

This research differs from the previous research in terms of the point of view; this research focused on the accounting aspect of social capital especially in information disclosure aspect published in annual report of firms listed in IDX. The previous researches on social capital are more focused in qualitative relationship of the business actor both internally and externally (Bizzi, 2015), manager's cognitive capability (Felício *et al.*, 2014), intra and inter society relationship (Hasbullah, 2006), and the effect of social capital on marketing performance of a firm (Tsai and Ghoshal, 1998).

This research is important because it examines the level of social capital owned by listed firms as a decision making tools needed by users. In terms of social capital disclosure, several aspects will be measured such as the number of network owned by a firm, the trust given by affiliated parties, the level of reciprocity on its surrounding area, and other social aspects that support firm's operation activity. With the disclosure on those aspects, user will be more confident in taking a business decision related with the firm. The objective of this research is to understand the effect of firm's characteristics (size, age, complexity, profitability, operational range, and type of industry) on the level of social capital disclosure in the firms listed in IDX for the year of 2014.

2.   LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT
2.1 Organizational Theory

Organization according to Cyril Soffer (1973), in Sutarto (1984) is defined as an association of people to achieve certain objective. In more detail, organization can be defined as: Organization is an association of people, in which each party is given a certain role within a work system and job division, where job is divided into more specified task, assigned to each role, and finally combined into several outcomes (organization as role system). According to Kast and Rosenzweig (1974), as cited by Sutarto (1984), states that organization is a subsystem of a larger environment and is objective-oriented (people with strong objectives), includes technical sub-system (people with knowledge, technical knowledge, tools, and facility), structural sub-system (people who worked together in a solid activity), social sub-system (people in a social interaction), and coordinated by management sub-system (planning and controlling process of a business).

In Sutarto (1984) there are several opinion regarding the approaches in organizational theory. These approaches is known as category. Among the approaches explained below, there is no absolute approach, which can be completely independent from the other approaches. Therefore, each approach should complement other approach to be able to solve organizational problems.

In an organization there is a characteristic that become the identity within the organization itself. Each character makes organization's type to be more heterogenic and has a special characteristic. This also applies on social capital; does social capital related with firm's characteristic? Those characteristics are described as firm's characteristic.

Social Capital

The definition of Social Capital according to Woolcock (2001) is a norm and network that facilitates collective action. The narrowest concept is delivered by Putnam (1993), who views social capital as a set of inter-personal horizontal associations. Social capital theory focused on the social role of a firm in achieving competitive advantage (Carey *et al.*, 2011).

According to Edwards (2004, as cited in Dean *et al.*, 2016), social capital is a broad concept and described as the factor that make the society become 'closely-knitted', which defined "social interrelation of a community that enable people, organization, and society to have a collaboration in order to create a mutual benefit (Edwards, 2004, in Dean *et al.*, 2016; Miller and Buys, 2008).

Social capital viewed from economics and political perspective, according to Guiso *et al.* (2004) is a level of trust from several parties and an altruistic tendency in a society. Meanwhile, according to Fukuyama (1997) social capital is an existence of informal values or norms among a group's member, which enable a cooperation among them.

Firms' Characteristics

Characteristic according to KBBI (Kamus Umum Bahasa Indonesia – Indonesian General Dictionary) is a special character, has a unique nature according to a special trait, which differentiate one thing (someone) to another (Pusat Bahasa Departemen Pendidikan Nasional, 2002). Firms' characteristics refer to a special characteristic that attached to a firm, and marked it as a different firm from many other firms.

Firms' characteristics usually measured using firm's size, firm's age, firm complexity, and others variables that is excluded from this research. Differences in firms' characteristics create different relevance and urgency in disclosure in each firm (Ahmad and Sulaiman, 2004).

2.2. Hypothesis Development

This research aims to examine the level of social capital disclosure in annual report of firms listed in IDX. Based on the categories as explained in the theoretical framework of the organizational theory, the theory will be translated into firms' characteristics that will be the

independent variables of this research. Hypothesis test will be conducted on firms' characteristics such as firms' size, firms' age, profitability, firms' complexity, operational scope, and industry type to find its effect on social capital disclosure. The description of hypothesis development is presented below:

Firms' Size

According to Ezat and El-Masry (2008), firms' size is the most general variable in determining disclosure level. According to Singhvi and Desai (1971) big firm is encouraged to disclose more information compared to small firms, due to three factors: First, the cost for accumulating the information disclosed will be bigger for small firms compared to big firms, second, big firms have greater needs for disclosure, because of the distribution through different network, and the third, the management of small firms tend to be more reliable compared to those in big firms, thus full disclosure in small firms will be dangerous for its competitiveness.

Previous researches (Singhvi and Desai, 1971; Cooke, 1992; Craig and Diga, 1998) find the relation between firms' size and disclosure level. Based on the previous researches, there is a positive effect of firms' size on disclosure level. Based on the argument, the first hypothesis is formulated as follow:

H1: Firms' size has a positive effect on the level of social capital disclosure level.

Firms' Age

Firms' age shows firms' existence; it can compete with other firms and take advantage of business opportunities in an economics (Yularto and Chariri, 2003). By knowing firms' age, it can be known the firms endurance. Older firms will provide wider financial information compared to younger firms, due to its longer experience in disclosing such information in annual report (Wallace *et al.*, 1994).

Widiastuti (2002) states that firms' age can provide an indication that a firm can maintain its existence and it can compete with other firms. According to Marwata (2001) older firms have deeper understanding about its constituent need on business information. However, according to Barnes and Walker (2006) in Li *et al.* (2008) younger listed companies in a stock market will make more effort in acquiring more capital by disclosing more information about the company. A research conducted by White *et al.* (2007), explains that there is a significant relationship between firms' age and disclosure. Therefore, based on the argument above, the second hypothesis can be formulated as follow:

H2: Firms' age has a positive effect on the level of social capital disclosure.

Firms' Complexity

According to Badriah *et al.* (2015), firms' complexity is a part of firms' characteristics. Generally, firms'' complexity could be viewed from the number of business segment owned by a firm (Carcello *et al.*, 2005). A firm with greater number of business segment usually has a broader disclosure. This is mainly because with its business segments, the information owned by the firm is more complex, which leads to the level of disclosure contained in annual report.

There is no previous research in disclosure that adopt firms' complexity as independent variable. Firms' complexity is expected to have positive effect on the level of social capital disclosure. Therefore, based on the argument above, the third hypothesis proposed as follow:

H3: Firms' complexity has a positive effect on social capital disclosure level.

Profitability

Ahmed *et al.* (2002) states that profitability and voluntary disclosure level can be explained through two perspectives. The first perspective states that firms with favorable

profitability tend to disclose more information, which aims to indicate firms' good performance to external parties in order to maintain their position as well as to get a compensation arrangement. The second perspective states that firms with unfavorable profitability will disclose more information to justify their poor performance. Several researches find that profitability do not have an effect on disclosure level (Marston dan Polei, 2004; Oyelere *et al.*, 2003; Xiao *et al.*, 2004), meanwhile Debrency *et al.* (2005) finds that there is a positive effect of profitability on disclosure level. Based on the argument above, the fourth hypothesis is formulated as follow:

H4: Firms' profitability has a positive effect on social capital disclosure level.

Firms' Operational Range

The international stakeholders have a needs and power, which provide them with a special pressure on a firm. For an example in a developing countries there is only several consumers and group of interest that have power and pressure, thus their social capital disclosure capability tend to be lower (Haniffa and Cooke, 2005).

With a broad operational range, the value of social capital owned by a firm will be bigger. With a broader firms' operational range, the relation and network owned by the firms will be greater. This is mainly because of the firm's broad operational range, it will conduct more intensive socialization with its partners, suppliers, and others. And vice versa, if a firm only has an operational range within a country. Firms' complexity will correlate positively with its social capital. The pressure to legitimize a firm in developed countries is higher compared to in developing countries (Haniffa and Cooke, 2005). Based on the argument above, the fifth hypothesis is formulated as follow:

H5: Firms' operational range has a positive effect on social capital disclosure level.

Industry Type

A firm tends to disclose information according to their industry type (Dye and Sridhar, 1995). For example, industry type that needs a huge amount of human resource such as manufacture will choose to disclose more information on its employees compared to firms in other extractive and chemical industry, which will disclose more information on environment that reflecting their business conduct (Haniffa and Cooke, 2005). The same applies for consumer-based industry, which is expected to disclose social capital in order to increase firm's image among the consumers in the market that will leads to sales growth (Cowen *et al.*, 1987).

In several previous researches, such as Hackston and Milne (1996), Gray *et al.* (2001), Sembiring (2005), and Suhardjanto and Afni (2009), find that there is a positive effect of industry type on social capital disclosure. Based on the argument above, the sixth hypothesis is formulated as follow:

H6: Industry type has a positive effect on social capital disclosure level.

3. RESEARCH METHOD

3.1. Population and Sample

The population of this research is all firms listed in IDX with a total of 525 firms as per March, 24th 2016. The sample of this research consist of 60 firms. The first in sampling technique is dividing the population into nine sectors and choosing 6 random firms from each sector. The last six firms will be chosen randomly from the population regardless of the sector. Roscoe in Sekaran and Bougie (2013) argues that in a multivariate research (including multiple regression analysis), sample size should be several times (more preferable 10 times or greater) greater than the total amount of variables in the study.

3.2. Operational Definition and Measurement

This research uses one dependent variable and six independent variables. Dependent variable is the main variable that is interesting to be examined by researcher (Sekaran and Bougie, 2013). The dependent variable in this research is the existence of social capital disclosure, which consists of 26 items, in annual report published by sample firms.

Table 1
Social Capital Items

Item (Nahapiet & Ghoshal, 1998)	Sub-item (Nahapiet & Ghoshal, 1998)	Is there any disclosure (in the annual report) on
Structural	Network Relation	access in resource and information.
		access in accuracy and speed in obtaining information.
		partner (network) owned.
	Network Configuration	communication used in interacting with partners.
		communication between subject and its partner in formal and informal relationship.
		third parties (mediator) in establishing relationship between subject and its partner.
	Compatible Organization	subject participates in a forum.
		subject is actively participating as a member of an organization.
		subject's effort in developing its business.
Relational	Trust	trust or being trusted for its goodwill and attention by partner (Mishira, 1996 in Nahapiet and Ghoshal, 1998).
		trust or being trusted for its competency and capability by partner (Mishira, 1996 in Nahapiet and Ghoshal, 1998).
		trust or being trusted for its reliability by partner (Mishira, 1996 in Nahapiet and Ghoshal, 1998).
		trust or being trusted for its transparency by partner (Mishira, 1996 in Nahapiet and Ghoshal, 1998).
	Norms	subject follows the customs prevailing in society.
		subject obeys written regulations.
		subject follows local indigenous prevailing in the society.
	Warranties and Expectation	partner trust in cooperating with the subject.
		partner give expectation on subject.
		partner has an interest on subject.
	Identification	to what extent does the subject have an important role as a member in a group.
		the level of subject's reciprocity on its environment.
Cognitive	Code and Language Sharing	subject's communication skill in various languages.
		subject's capability to understand partner's will.
		subject's transparency in establishing communication with many parties.
	Narration Sharing	share firm's vision and mission (Tsai and Ghoshal 1998).
		enthusiasm in pursuit collective objective and the mission of firm's objective (Tsai and Ghoshal 1998).

Below is the equation to calculate the variation of social capital disclosure (Supriyono and Suhardjanto, 2013):

$$SCDI = \frac{\sum X}{\sum N}$$

Where, $\sum X$ is disclosure items of social capital disclosure in annual report, and $\sum N$ is the total items of social capital disclosure. Social capital is measured using disclosure score with unweighted to indicate the variation in the social capital disclosure items disclosed. The

measurement is conducted by scoring each items disclosed by a firm under social capital section; 1 is given to each item disclosed and 0 for undisclosed items.

Dependent variable, is the variable that affects the dependent variable, both positively and negatively (Sekaran and Bougie, 2013). This research uses 6 independent variables. Below is the explanation and operationalization definition for each independent variable:

Firms' Size

Size or firms' size, is a variable that can be measured using total assets value, sales, or firm's capital. The greater is total assets value, sales, total employee, and capitalization value, firm's size will be greater (Haniffa dan Cooke, 2005). This variable could be measured using the total assets of a firm disclosed in annual report (Haniffa and Cooke, 2005; Freedman and Jaggi, 2005). Total assets is chosen as the proxy of firms' size because this amount includes current assets and fixed assets owned by a firm, thus it can represent firm's size better.

Firms' Age

Firms' age is used to measure the effect of how long a firm has operate. The longer a firm operates, it will disclose broader financial information compared to younger firms. This is mainly because of the experience in preparing annual report (Wallace *et al.*, 1994). By considering firm's age, we can understand to what extent the firm can survive by implementing going concern principle. The variable of firms' age is measured using the deviation of age between its establishment year and the year of 2014.

Firms' Complexity

Firms' complexity indicates the amount business unit owned by a firm constantly, during its business operation. The more complex a firm's operation its obligation to disclose information will be higher. Generally, firm's complexity can be viewed from the amount of business segment in a firm (Carcello *et al.*, 2005). The variable of firm's complexity can be measured using the amount of business segment in a firm (Subramaniam *et al.*, 2009).

Profitability

Profitability refers to firm's capability to generate profit (revenue) during a certain financial period. Another similar definition by Husnan (2001) define profitability as capability of a firm to generate profit at a certain sales, assets, and share capital. The relationship between profitability and disclosure is a reflection of social response, thus a firm can operate properly (Suhardjanto and Miranti, 2011). This variable is measured by the level of Return on Asset (ROA) of the firm. The measurement is based on a research by Suhardjanto and Wardhani (2010).

Firms' Operational Range

The international stakeholders have a needs and power, which provide them with a special pressure on a firms. As an example, in a developing countries there is only several consumers and group of interest that have power and pressure, thus their social capital disclosure capability tend to be lower (Haniffa dan Cooke, 2005). The pressure to legitimize a firm is higher in developed countries than it is in developing countries (Haniffa and Cooke, 2005). Firms' operational range in this research is measured using dummy variable; by assigning code 1 for a firm with multinational operational range and 0 for a firm with national operational range (Haniffa and Cooke, 2005).

Industry Type

A firm tends to disclose information according to their industry type (Dye dan Sridhar, 1995). For example, industry type that needs a huge amount of human resource such as manufacture will choose to disclose more information on its employees compared to firms in other extractive and chemical industry, which will disclose more information on environment that reflecting their business conduct (Haniffa dan Cooke, 2005). The same applies for

consumer-based industry, which is expected to disclose social capital in order to increase firm's image among the consumers in the market that will leads to sales growth (Cowen *et al.*, 1987). This variable is a dummy variable. According to Suhardjanto (2008) the classification for industry type will coded in accordance with firm's industry type; the code 1 will be assigned to service firm, 2 for financial firm, and 3 for manufacturing or mining firm.

Table 2
Independent and Dependent Variable Measurement

Variable	Proxy	Measurement
Dependent Variable		
Social Capital Disclosure Index (SCDI)	Variation in social capital disclosure (SCDI)	Total amount of research instrument items disclosed in annual report divided by 26
Independent Variable		
Firms' Size	Total Asset (SIZE)	The total assets at financial year
Firms' Age	Founded Age (AGE)	Total operation year since the firm founded
Firm's Complexity	Business Activity (CMPLX)	Total amount of business segment on the current year
Profitability	Return on Assets (ROA)	The ratio of net profit after tax divided by total assets for the current financial year
Firms' Operational Range	Dummy variable, categorizing firms' business activities range (CVRG)	0 = for national firm 1 = for multinational firm
Industry Type	Dummy variable, categorizing firms' industrial type (TYPE)	1 = service company 2 = finance company 3 = manufacture or mining company

Statistical Tools

The data analysis in this research includes: classical assumption test (conducted as a requirement for hypothesis test), descriptive statistic and hypothesis test using multiple regression analysis. Besides the main statistical tests a t-test is also conducted to provide a supporting result. All statistic tests are conducted in IBM SPSS version 21 software.

Descriptive Statistics

Descriptive statistic provides a description of the data collected. The description usually viewed from the mean value, standard deviation, and maximum and minimum value (Ghozali, 2013). This test aims to provide a description about the distribution and behavior of research data.

Hypothesis Test

To test the hypotheses proposed in this research uses determination coefficient test, individual significance parameter test (t statistic test) and simultaneous significance test. Hypothesis test with multiple regression test is conducted using backward method. Backward method is a method where all independent variables are regressed with dependent variable. Variable elimination is based on independent variables (predictor) that has sig. F value greater than 0. This method is considered as a good regression method because this method can explain the behavior of response variable in the best way possible by choosing explanatory variable out of many explanatory variables available (Samosir *et al.*, 2014).

For the hypothesis test, this research uses multiple regression analysis by measuring the goodness of fit of the regression model, this aims to evaluate the accuracy of the regression function in predicting actual value. As for the multiple regression equation in this research is as follow:

$$SCDI = \alpha + \beta_1\, SIZE + \beta_2\, AGE + \beta_3\, CMPLX + \beta_4\, PROF + \beta_5\, CVRG + \beta_6\, TYPE + \varepsilon$$

Notes:

α = Constant
β_1-β_6 = Regression Coefficient
SCDI   = Social Capital Disclosure Index
SIZE   = Firms' Size
AGE   = Firms' Age
CMPLX   = Firms' Complexity
PROF   = Profitability
CVRG   = Firms' Operational Range
TYPE   = Industry Type
ε = *error*

4. ANALYSIS RESULT AND DISCUSSION
4.1. Hypothesis Test and Discussion

The hypothesis test in this research is conducted using multiple regression analysis. Classical assumption test is performed beforehand as a prerequisite for the hypothesis test, which consist of normality test, autocorrelation test, heterocedasticity test, and multicolinearity test. The multicollinearity test is conducted after the data passed classical assumption test. This test aims to test whether firms' characteristics affect social capital disclosure in the firms listed in IDX in 2014.

The result of multiple regression test on the effect of firms' characteristics on social capital disclosure presented in Table 3:

Table 3
Model Summary Result

Model	R Square	Adjusted R Square	Std. Error of Estimate
1	0,211	0,121	11,458903
2	0,205	0,131	11,392729
3	0,202	0,144	11,311999
4	0,190	0,147	11,289136
5	0,160	0,130	11,399466

Model 1: TYPE, SIZE, PROF, CMPLX, CVRG, AGE
Model 2: TYPE, SIZE, PROF, CMPLX, CVRG
Model 3: TYPE, SIZE, CMPLX, CVRG
Model 4: SIZE, CMPLX, CVRG
Model 5: SIZE, CMPLX

According to Ghozali (2013), in order to find the best regression model when there are more than two independent variables, the best determination coefficient is Adjusted R Square (Adjusted R^2). As presented in Table 4.2 the R Square (R^2) value in the first model is 0.211 and Adjusted R^2 is 0.121. Based on the result it can be concluded that the first model with six independent variables (TYPE, SIZE, PROF, CMPLX, CVRG, and AGE) 12.1% variation in social capital disclosure can be explained by the variables simultaneously, while the other 87.9% can be explained by other factors.

The second model with five independent variables (TYPE, SIZE, PROF, CMPLX, and CVRG) has R Square (R^2) value of 0.205 and Adjusted R^2 of 0.131. Therefore, it can be concluded that the 13.1% of the variation in social capital disclosure can be explained by the independent variables in the second model. Meanwhile the other 86.9% can be explained by other factors.

The third model with four independent variables (TYPE, SIZE, CMPLX, and CVRG) has R Square (R^2) value of 0.202 and Adjusted R^2 of 0.144. Therefore, it can be concluded that

the 14.4% of the variation in social capital disclosure can be explained by the independent variables in the third model. Meanwhile the other 85.6% can be explained by other factors.

Table 4.
F Test Result (ANOVA)

Model	df	F	Sig.
1 (Reg/Res)	6/53	2.356	0.043
2 (Reg/Res)	5/54	2.784	0.026
3 (Reg/Res)	4/55	3.473	0.013
4 (Reg/Res)	3/56	4.391	0.008
5 (Reg/Res)	2/57	5.420	0.007

Statistically significant at 5%

The fourth model with three independent variables (SIZE, CMPLX, and CVRG) has R Square (R^2) value of 0.190 and Adjusted R^2 of 0.147. Therefore, it can be concluded that the 14.7% of the variation in social capital disclosure can be explained by the independent variables in the fourth model. Meanwhile the other 85.3% can be explained by other factors.

The fifth model with two independent variables has the lowest significance level (SIZE, CMPLX) with R Square (R^2) value of 0.160 and Adjusted R^2 of 0.130. Therefore, it can be concluded that the 13% of the variation in social capital disclosure can be explained by the independent variables in the fifth model. Meanwhile the other 87% can be explained by other factors.

Table 5
Hypothesis Test Result

Model		Coefficient	T	Sig.	Conclusion
1	(*Constant*)		4.926	0.000	
	SIZE	0.287	2.206	0.032	**Supported**
	AGE	-0.094	-0.615	0.541	Unsupported
	CMPLX	0.291	2.336	0.023	**Supported**
	PROF	0.107	0.729	0.470	Unsupported
	CVRG	-0.137	-1.046	0.300	Unsupported
	TYPE	0.140	1.055	0.296	Unsupported
2	(*Constant*)		5.056	0.000	
	SIZE	0.269	2.136	0.037	**Supported**
	CMPLX	0.297	2.402	0.020	**Supported**
	PROF	0.058	0.473	0.638	Unsupported
	CVRG	-0.152	-1.188	0.240	Unsupported
	TYPE	0.115	0.917	0.363	Unsupported
3	(*Constant*)		5.402	0.000	
	SIZE	0.271	2.160	0.035	**Supported**
	CMPLX	0.293	2.391	0.020	**Supported**
	CVRG	-0.155	-1.220	0.228	Unsupported
	TYPE	0.109	0.880	0.383	Unsupported
4	(*Constant*)		9.795	0.000	
	SIZE	0.277	2.217	0.031	**Supported**
	CMPLX	0.289	2.368	0.021	**Supported**
	CVRG	-0.180	-1.456	0.151	Unsupported
5	(*Constant*)		9.632	0.000	
	SIZE	0.238	1.933	0.058	Unsupported
	CMPLX	0.284	2.303	0.025	**Supported**

Statistically significant at 5%

The multiple linear regression is conducted using backward method. This method is chosen to predict the variables that have no significant effect on the model, thus the most significant independent variable will be obtained. Based on the data analysis presented in Table 4, the F value obtained for each model are 2.356; 2.784; 3.473; 4.391; and 5.420 respectively, with probability values 0.043; 0.026; 0.013; 0.008; and 0.007 respectively. In general, the F value is greater than F table (F value > F table) thus the H_0 is rejected. This mean firms' characteristics have an effect on social capital disclosure. The significance value is lower than 0.05, thus the regression model can predicts social capital disclosure or the independent variables (firms' size, firms' age, firms' complexity, profitability, firms' operational range, and industry type) simultaneously affect social capital disclosure.

The result of F test shows that all model tested has meet the criteria for the alternative hypothesis to be accepted (supported). Each model has F value that is higher than F table with significance value lower than 0.05. Therefore, based on the arguments, it can be concluded that firms' characteristics affect social capital disclosure level.

a. The Effect of Firms' Size on Social Capital Disclosure Level

In the first, second, third, and fourth model, the variable of firms' size has ρ-value for 0.032; 0.037; 0.035; and 0.031 at a significance level of 0.05. This shows that firms' size has a significant effect on social capital disclosure level. The positive coefficient shows that there is a positive effect of firms' size on social capital disclosure level. Therefore, based on the argument, it can be concluded that the first hypothesis, which states there is a positive effect of firms' size on social capital disclosure level, is **supported**.

In the fifth model, with two independent variables after AGE, PROF, TYPE, and CVRG are eliminated, the variable of firms' size has *ρ-value* of 0.058 at significance level of 0.05. It shows that firms' size does not have a significant effect on social capital disclosure level. The positive value of the firms' size coefficient shows that there is a positive relationship between firms' size and social capital disclosure level. Based on the arguments the fifth hypothesis is rejected.

This result is in line with the previous research (Singhvi and Desai, 1971; Cooke, 1992; Craig and Diga, 1998) that find if firms' size has an effect on social capital disclosure level. Several of those researches find that the effect of firms' size is positive.

b. The Effect of Firms' Age on Social Capital Disclosure Level

The result of regression coefficient for firms' age shows a negative value with *ρ-value* of 0.541 at significance level of 0.05. This value is, indeed, beyond the significance level limit, thus it can be concluded that firms' age does not affect social capital disclosure level significantly. On the other hand, the negative sign in the coefficient value shows that the greater firm's age is, the level of social capital disclosure will be lower, ceteris paribus. Based on the result, it can be concluded that second hypothesis is rejected. Firms' age is only included in the first model. Therefore, it shows that this variable is the most not-significant variable in the model.

In contrast with this result, Widiastuti (2002), and White *et al.* (2007), find that firms' age has a significant effect on the level of social capital disclosure. However, this result is supported by the research by Barnes and Walker (2006, in Li *et al.*, 2008), who find that younger firms will seek to obtain greater capital by disclosing more information about firm; one of them is by disclosing social capital information in annual report.

c. The Effect of Firms' Complexity on Social Capital Disclosure

Based on the result of regression test on research model (first up to fifth), firms' complexity has a significant effect on social capital disclosure level. This is because the *ρ-value* of this variable in all models are 0.023; 0.020; 0.020; 0.021; and 0.025 respectively, at

significance level of 0.05. The positive coefficient shows that the effect of firms' complexity on social capital disclosure level is positive. Therefore, the third hypothesis is **supported**.

On the five models tested, firms' complexity is the only variable that has constant results. This shows that the complexity of business activity in a firm will affects the level of social capital disclosure. A firm with more complex activities tends to have various connection with various task and characteristics. There is no previous research that use firm complexity as determinant of disclosure level. This is because, with more complex business activities firm will have more relation and link as a heterogeneity of its business activity. Thus, each relation and ink will have various task in supporting the complex business activity of the firm.

d. The Effect of Profitability on Social Capital Disclosure Level

As presented in Table 4.4, the result of multiple regression analysis, on the first and second model, shows that profitability has no significant effect on the level of social capital disclosure. This conclusion is based on the ρ-value of this variable in both model are 0.470 and 0.638 respectively. The positive coefficient shows that the effect of profitability on social capital disclosure level is positive. Based on the argument, it can be concluded that the fourth hypothesis is rejected.

In the third, fourth, and fifth model, the variable of profitability does not included. This is because this variable has a significance level that is higher than other four variables. In the first, second, and third model, this variable consistently rejects the proposed hypothesis. This result is in accordance with the previous researches (Marston and Polei, 2004; Oyelere *et al.*, 2003; Xiao *et al.*, 2004), which find that profitability has no effect on disclosure level. The main reason for the result is a firm with low profitability is encouraged to disclose more information in order to expand their business. The level of social capital disclosure can have a positive relationship with profitability, if it is assigned as independent variable and profitability as the dependent variable.

e. The Effect of Firms' Operational Range on Social Capital Disclosure Level

Based on the result of first, second, third, and fourth multiple regression analysis, the variable of firms' operational range has ρ-value of 0.300; 0.240; 0.228; and 0.151 with significance level of 0.05. This shows that operational range does not have a significant effect on social capital disclosure level. The negative coefficient indicates that firm with international operational range will decrease the level of social capital disclosure level, cateris paribus. Therefore, it can be concluded that fifth hypothesis is rejected.

This result is not in accordance with the result of the research by Haniffa and Cooke (2005). The main reason for this result is, there are not many multinational firms that is listed in IDX, thus the result perfectly describe the condition in Indonesian capital market.

f. The Effect of Industry Type on Social Capital Disclosure Level

Industry type is the last independent variable in this research. Based on the result of the first, second, and third regression analysis shows ρ-value of 0.296; 0.363; and 0.383 respectively, with significance level of 0.05. Therefore, it can be concluded that industry type does not have a significant effect on social capital disclosure level. The positive coefficient indicates that the relationship between industry types with social capital disclosure is positive. Based on the argument it can be concluded that the sixth hypothesis is rejected.

This is not in accordance with the result of the previous researches (Hackston and Milne, 1996; Gray *et al.*, 2001; and Suhardjanto and Afni, 2009), which states that there is a positive effect of industry type on social capital disclosure level. This is mainly because of each industry type has different relation amount and confidence level as well as different objective and task in order to support firm's business, thus this variable does not have an effect on social capital disclosure.

5. CONCLUSION, RECOMMENDAITON, AND LIMITATION

5.1 Conclusion

This research examines the effect of firms' characteristics (firms' size, firms' age, firms' complexity, profitability, firms' operational range, and industry type) on social capital disclosure level. In general, the result of hypothesis test shows that there is an effect of firms' characteristics on social capital disclosure level. Firms' size has an effect on the disclosure level because big firms tend to disclose more information compared to smaller firms. Firms' complexity has an effect on disclosure level because the level of firms' complexity affects the relation owned by the firms, which have its own task and characteristics.

There is no effect of firms' age, profitability, firms' operational range, and industry type on social capital disclosure level. The result of hypothesis test also shows a negative effect on social capital disclosure level. Younger firms will seeks to obtain additional capital by disclosing more information about the firms.

In Indonesia the disclosure level in disclosing information about social capital is low. The average disclosure level is 36.03% from a total of 26 disclosure items. This is because of the low awareness in term of the importance of social capital disclosure. Even though, social capital is an advantage or intangible capital owned by a firm in supporting its business activities. Moreover, by disclosing its social capital, a firm will earn a value added from the disclosure and convince potential investor and creditor.

5.2 Recommendation

The recommendation for managers in big firms and complex firms, based on research result, is they are required to disclose their social capital information according to their stakeholder's interest. Thus, it can fulfill stakeholder's needs and providing an added value to the firm. For regulator in Indonesia; a regulation on social capital disclosure is required in order to encourage the firms in disclosing social capital information in annual report. Social capital disclosure can enhance investor's and creditor's trust on a firm, which will triggering economics growth in Indonesia.

For stakeholders information about social capital will be a valuable consideration in taking an investment decision. This is because the existence of such information will increase stakeholders' trust. For the next research, on social capital disclosure, other variables and approaches can be adopted. Moreover, a comparative study can be done by comparing the disclosure level in developing countries and developed countries that have high social capital.

5.3 Limitation

This research presents a study on the effect of firms' characteristics on social capital disclosure level. The result does not show the actual amount of social capital owned by the sample firms. This is because the firms do not disclose the information about their social capital thoroughly in their annual report, thus the mean value of disclosure level is low.

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